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ABSTRACT

The Joint Accounting Group (JAG) has as its primary goal to develop a capability to provide uniform transactional finance data at the institutional level. Such data should effectively meet the needs of public reporting, institutional financial management, and program planning. The group believes that the attainment of this goal requires uniformly acceptable definitions of accounting terms and standardized categories for the classification of transactional financial data. Three documents dealing with various aspects of higher education financial accounting and reporting were being developed, and it was decided that these three efforts should be compatible and that, if possible, they should be based on uniform definitions of transactional financial data. The documents are "Audits of Colleges and Universities," "Administrative Services," and "Higher Education Finance Manual." This document presents JAG recommendations on these three documents in the area of definitions, data categories, and report formats. Appendixes contain JAG current funds revenue categories, JAG current fund expenditure and mandatory transfer categories, and JAG expenditure categories and the program classification structure. (Author/PG)

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REPORT OF

THE

JOINT ACCOUNTING GROUP

March 1974

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REPORT OF THE JOINT ACCOUNTING GROUP

The concept of the Joint Accounting Group grew out of a meeting held in San Francisco on May 21, 1973, in which representatives of the National Association of College and University Business Officers (NACUBO), the American Institute of Certified Public Accountants (AICPA), and the National Center for Higher Education Management Systems (NCHEMS) met to discuss items of mutual interest. At that time three documents dealing with various aspects of higher education financial accounting and reporting were being developed--Audits of Colleges and Universities (the AICPA's "Audit Guide"), NACUBO's Administrative Services (a revision of the 1968 CUBA Manual), and NCHEMS's Higher Education Finance Manual. It was decided at that meeting that these three efforts should be compatible and that, if possible, they should be based upon uniform definitions of transactional financial data. Therefore, the Joint Accounting Group was formed under the sponsorship of the Higher Education Finance Manual project, a project sponsored by the National Center for Educational Statistics. Each organization involved in the effort appointed three persons to serve on the Joint Accounting Group and to represent the interests of their respective constituencies. The NACUBO representatives were selected from the membership of that organization's Accounting Principles Committee, the AICPA members from its Task Force on College and University Accounting and Auditing, and the NCHEMS representatives from the task forces of the Higher Education Finance Manual project and the Cost Finding Principles project.

The following persons served as members of the Joint Accounting Group:

NACUBO:

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Mr. Reuben Lorenz
Vice President & Controller
University of Wisconsin System

Mr. W. Harold Read
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I. PURPOSE AND WORKSCOPE

The Joint Accounting Group determined that its primary goal should be to develop a capability to provide uniform transactional finance data at the institutional level. Such data should effectively meet the needs of public reporting, institutional financial management, and program planning. The group believed that the attainment of this goal required uniformly acceptable definitions of accounting terms and standardized categories for the classification of transactional financial data.

Definitions - The Joint Accounting Group, while recognizing that a great deal of work had already been done in developing definitions and procedures for the display of institutional accounting data, felt that additional work was still required if reasonable uniformity was to be obtained. It was recognized that the most recent definitions and accounting standards were those developed by the American Institute of Certified Public Accountants (AICPA) and published in Audits of Colleges and Universities (the "Audit Guide"). Thus the group's first task was to analyze the definitions outlined in the Audit Guide in order to determine their adequacy in meeting the goals of the Joint Accounting Group.

Data Categories - It was determined that a great deal could be accomplished in meeting the goals of the group if one set of categories could be developed for the display of transactional revenue and expenditure data. In order to meet the often specific needs of public reporting, management and control, or planning, the group felt that it should be possible to reformat data maintained in these categories into alternative display formats with ease. It was decided that expenditure categories would be developed to serve as "functional" categories and that revenue categories would be developed to reflect the "sources" of revenues. Both sets of categories would be defined in as much detail as possible in order to promote uniformity of data display.

Report Formats - The group decided that the particular formats used to display and report higher education finance data were not a primary concern of the Joint Accounting Group. Rather, the group concluded that its focus should be upon determining whether or not data, as presented in the report formats used by higher education institutions, were displayed accurately and in ways which would not mislead the user.

II. JAG RECOMMENDATIONS

The following recommendations are being made on the basis of the work of the Joint Accounting Group in the three areas described above:

1. It is recommended that higher education institutions utilize the accounting definitions and practices outlined in Audits of Colleges and Universities (AICPA, 1973), except those relating to Current Funds revenues and expenditures, as the basis for collecting and maintaining higher education financial data. The Joint Accounting Group believes that these definitions and accounting standards allow for the adequate provision of accounting data as needed for public reporting, institutional financial management and control, and higher education planning. JAG is recommending very specific definitions and accounting practices for Current Funds revenues and expenditures data. These recommendations are outlined in Appendixes I and II of this report.

2. The Joint Accounting Group recommends that the revenue and expenditure categories described in Appendixes I and II of this report be used by institutions for collecting and maintaining transactional data at that particular level of aggregation. The JAG categories represent a revision of the categories prescribed in Audits of Colleges and Universities (AICPA, 1973) to minimize the difficulties of reformatting data in alternative display formats. It should be emphasized that this recommendation does not imply that revenue and expenditure data maintained in the JAG categories and subcategories will always be sufficient to satisfy the demands placed on each institution's financial

data system. It is recognized that data will often be needed in much more detail and at much lower levels of aggregation within the JAG categories. It is recommended, however, that the JAG categories be used as the basic core of transactional data and that more detailed data be developed as subsets of the JAG categories.

As an initial step in the implementation of these revenue and expenditure categories in higher education, the Joint Accounting Group recommends that both sets of categories be incorporated into the AICPA's Audits of Colleges and Universities, the accounting section of NACUBO's Administrative Services, and those NCHEMS projects which use transactional financial data (in particular the Higher Education Finance Manual).

3. The Joint Accounting Group did not deal specifically with the formats used to display revenue and expenditure data. The group did examine the report formats shown in Exhibits A, B, and C of Audits of Colleges and Universities, pp. 60-67. It is recommended that the JAG categories for Current Funds revenue and expenditure data be substituted for those described in Chapters 5 and 6 of the Audit Guide and in those report formats where revenue and expenditure data are displayed.

The JAG categories were designed so that data can be easily reformatted to meet several different needs. The Joint Accounting Group recommends that alternative sets of categories used for displaying institutional expenditure data (e.g., the Program Classification Structure) be as consistent as possible with the JAG categories. Consistency in the definition of alternative sets of categories will increase the precision with which a reformatting of data can be accomplished and will increase the probability that the original meanings of the transactional data will be maintained.

4. The Joint Accounting Group recommends that a moratorium be declared on major changes in the categories used to report transactional Current Funds revenue and expenditure data. This recommendation is not a proposal for no future change in higher education financial management and reporting. Rather, this moratorium refers only to major changes in these data categories and is being recommended to allow for the attainment of a degree of stability in higher education accounting and financial reporting. The length of this moratorium should be long enough to allow for the incorporation of this latest series of changes into institutional accounting systems, estimated by JAG as approximately three to five years. Furthermore, such a moratorium should help provide for a greater level of uniformity in the reporting of higher education financial data.

5. Finally, the Joint Accounting Group recommends that when future changes are required in higher education financial definitions and accounting standards, these changes should be made as a cooperative effort of the affected constituencies, similar to that of the Joint Accounting Group.

APPENDIX I

JAG CURRENT FUNDS REVENUE CATEGORIES

JAG CATEGORIES: CURRENT FUNDS REVENUES

Institutional accounts should be maintained and reports prepared on the accrual basis of accounting. Current funds revenues include (1) all unrestricted gifts and other unrestricted resources earned during the reporting period and (2) restricted current funds to the extent that such funds were expended for current operating purposes. Current funds revenues do not include restricted current funds received but not expended, or resources which are restricted by outside persons or agencies to loan funds, endowment or term endowment funds, annuity and life income funds, plant funds, or agency funds.

Unrestricted current funds revenues include all resources earned, including gifts for which no stipulation as to how they are to be expended was made by the donor. Monies which are initially unrestricted and are subsequently designated for a particular purpose by the institution's governing board are reported as unrestricted current funds revenues when earned, rather than when the board's designation is either met or removed.

Restricted current funds revenues include only those monies expended during the reporting period for a current operating purpose which was specified by the donor as a precondition for their acceptance by the institution.

Separately incorporated units, for adequate disclosure gross revenues of all separately incorporated but related units for which the institution

is fiscally responsible should be included. Examples of such separately incorporated units might include university presses, student unions, and research foundations. In addition, footnotes may be added whenever they are felt to be appropriate. The revenues of separately incorporated units operated for investment purposes should not be reported as part of current funds revenues. Instead the unit's net profit or loss should be recorded as investment income in the appropriate manner.

Interdepartmental transactions. An internal service department is defined as an entity which exists primarily to provide goods or services to other academic or administrative units of the institution (e.g., printing, computing support). Credits for interdepartmental transactions of internal service departments and storerooms which provide services to the institution (as contrasted with services to students, faculty, and staff) should not be included as revenues but as offsets to expense in the servicing department. Therefore, the use of a central stores operation or central computer facility by the institution will be an interdepartmental transfer of costs and will not result in an institutional revenue. However, monies resulting from the sale of products or services to purchasers outside the institution (e.g., the sale of computer time to an outside purchaser) would be a revenue to the institution (and reported in "Other Sources").

Auxiliary enterprise revenues. Monies derived in the conduct of the regular services of an auxiliary enterprise operation (e.g., catering by the food service department for student or faculty groups) should be

treated as revenues of the respective auxiliary enterprises and as expenditures of the departments or organizations receiving the services or materials. If a total figure is to be shown for all institutional revenues, those auxiliary enterprise revenues derived from the sale of products or services to units within the institution should be excluded. In determining a total for all institutional revenues, sales of auxiliary enterprises to internal departments should be treated like interdepartmental transactions.

REVENUE CATEGORIES

The following source categories should be used for the display of current funds revenues:

- Tuition and Fees
- Governmental Appropriations - Federal
- Governmental Appropriations - State
- Governmental Appropriations - Local
- Governmental Grants and Contracts - Federal
- Governmental Grants and Contracts - State
- Governmental Grants and Contracts - Local
- Private Gifts, Grants, and Contracts
- Endowment Income
- Sales and Services of Educational Activities
- Sales and Services of Auxiliary Enterprises
- Sales and Services of Hospitals
- Other Sources
- Independent Operations (where applicable)

TUITION AND FEES

Tuition and fees includes all tuition and fees assessed (net of refunds) against students for current operating purposes. Tuition and fee remissions or exemptions should be assessed and reported as revenue even though there is no intention of collecting from the student. An amount equal to such remissions or exemptions should be reflected as expenditures and classified in the category "Scholarships and Fellowships" (if that is the purpose of the exemption) or classified as staff benefits in the appropriate expenditure category (if the exemption is made in compliance with a formalized policy granting exemptions to relatives of the institution's staff or the staff itself).

If tuition and/or fees are remitted to the state as an offset to the state appropriation, the amount of tuition and fees should be deducted from the total for state appropriations and added to the total for tuition and fees.

If the assignment of student fees to debt service, renewals and replacements, or unexpended plant funds is an administrative action only, or is subject to change by the governing board, then such fees should be reported as unrestricted current funds revenues and included in this category. Pledged revenue under bond indenture agreements should not be reported as additions to plant funds, but should be reported as unrestricted current funds revenues. Monies from fees on which there are binding external restrictions because they have been specifically assessed for debt service on institutional plant, or for renewals and replacements of plant, or for expansion of

facilities should not be reported under this classification, but should be reported as direct additions to plant funds, since such fees are not legally available for current operating purposes.

Revenues from tuition and fees for an academic term, such as a summer session, conducted over a fiscal year end should be reported totally within the fiscal year in which the program is predominantly conducted. The revenues and expenditures for any summer session should be reported in the same fiscal year. This procedure for reporting the revenues of summer sessions is an allowable exception to reporting revenues on an accrual basis. All other revenues should be reported when earned.

Charges for room, board, and other services rendered by auxiliary enterprises are not included in this category but should be classified as "sales and services of auxiliary enterprises." If an all-inclusive fee for tuition, room, and board is charged, a reasonable allocation should be made between the categories "tuition and fees" and "sales and services of auxiliary enterprises."

Fees assessed for student health services that are operated as a service to the student body rather than as an auxiliary enterprise would be included in this category.

GOVERNMENTAL APPROPRIATIONS - FEDERAL

GOVERNMENTAL APPROPRIATIONS - STATE

GOVERNMENTAL APPROPRIATIONS - LOCAL

Governmental appropriations include those monies received from or made available to an institution through acts of a legislative body. They do not include governmental grants or contracts. These three categories include all such unrestricted appropriations and all restricted appropriations to the extent expended for current operations.

Funds disbursed for the account of the institution by a governmental agency, such as payments into a state retirement system on behalf of the institution, would be included in these categories.

These categories include only governmental appropriations made from tax levy funds, including those taxes levied directly by the institution under authority granted by the legislature or constitution, federal land-grant appropriations, and federal revenue sharing funds. They do not include institutional fees and other income reappropriated by the legislature to the institution. Tuition and fees collected by the institution and returned to the institution in the form of appropriations (i.e., reappropriated tuition and fees) would have to be subtracted as they already appear as tuition and fees.

Governmental appropriations should be categorized by the governmental level (federal, state, or local) of the legislative body funding the appropriation. The following criterion should be used in determining which legislative level is the funder:

> The funder level is the same as the level of that agency making the decision that the monies will be appropriated for the particular purpose for which they are ultimately expended.

For example, if the federal government stipulates a specific use for particular monies and those monies are subsequently only administered by the state, the funds would be classified as federal monies. However, if the federal government distributes funds to the state for unspecified general purposes (e.g., general revenue sharing) and the state then appropriates all or a portion of those monies to the institution, the funds received by the institution should be classified as state monies rather than federal monies.

The determination of whether a particular governmental appropriation should be classified as restricted or unrestricted funds should be based upon the ability of the institution to effect a change in the intended use of the funds during the reporting period, should circumstances require. If a change in the intended use of the funds can be made without having to go through the legislative process, the funds should be considered unrestricted. State general fund appropriations should be considered unrestricted funds unless the legislature places restrictions on their use so specific they substantially reduce the institution's flexibility in its financial

operations. Where an intermediate group exists, if a change in restrictions needs to be made and it can be made by the intermediate body without having to go back through the legislative process, the funds appropriated should be considered unrestricted.

GOVERNMENTAL GRANTS AND CONTRACTS - FEDERAL

GOVERNMENTAL GRANTS AND CONTRACTS - STATE

GOVERNMENTAL GRANTS AND CONTRACTS - LOCAL

Governmental grants and contracts include revenues from governmental agencies which are received or made available for specific projects or programs. It is assumed that in the case of a grant or contract, the legislative body makes appropriations to a governmental agency, which in turn enters into contracts with, or makes grants to, individual institutions. Examples are research projects, training programs, and similar activities for which amounts are received or expenditures are reimbursable under the terms of a government grant or contract.

Governmental grants and contracts should be categorized by the governmental level (federal, state, or local) of the agency providing the funds to the institution. The following criterion should be used in determining which governmental level should be considered the funder:

> The funder level is the same as the level of that agency that makes the decision that the contract will be entered into with, or the grant made to, the institution for the particular purpose for which it was ultimately transacted.

For example, if a federal agency stipulates a specific use for particular monies and those monies are only administered by state agencies, the funds would be classified as federal monies.

Amounts equal to direct costs incurred should be recorded as charges against current restricted funds and reported as restricted current funds revenues. Related indirect costs recovered should be reported as unrestricted revenues.

PRIVATE GIFTS, GRANTS, AND CONTRACTS

Private gifts, grants, and contracts include amounts from individuals or nongovernmental organizations. The funds included in this category are of two types: (1) private gifts and grants and (2) private contracts. Private gifts and grants include those monies received from private donors for which no legal consideration is involved (i.e., no specific goods or services must be provided to the donor in return for the monies). Private contracts include those monies received for which specific goods and services must be provided to the funder as stipulation for receipt of the funds. This category includes all unrestricted gifts, grants, and bequests as well as all restricted gifts, grants, and contracts to the extent that the monies are expended for current operations.

Only those revenues derived from the provision of goods or services directly related to instruction, research, or public service are included in the category "Private Gifts, Grants, and Contracts." Revenues derived from

the sale of goods or services incidental to the conduct of instruction, research, or public service should be shown as "Sales and Services of Educational Activities."

Income from funds held in revocable trusts or distributable by direction of the trustees of such trusts should be reported under this classification. This category does not include revenues derived from contracts for activities not related to the primary missions of the institution (e.g., land rental, utility services, etc.). But monies received as a result of gifts, grants, or contracts from a foreign government would be included in this category.

Amounts equal to direct costs incurred should be recorded as charges against current restricted funds and reported as restricted current funds revenues. Related indirect costs recovered should be reported as unrestricted revenues.

When the performance of donated services is significant for an institution, the value of donated services should be included in this category. The value of donated services should be determined by relating such services to equivalent salaries and wages (including the normal staff benefits, such as group insurance and retirment benefits) for similarly ranked personnel in the same institution or similar institutions. This gross amount should be reduced by the amount of maintenance, living costs, and personal expenses whenever such expenses are incurred on behalf of the contributing personnel (e.g., institutions operated by religious groups). An imputed value for

donated services should be recorded in this category only if the following circumstances exist:

1. The amount of such donated services is significant when compared to the total revenues for the reporting entity.
2. The services performed are a normal part of the institution's programs or supporting services and would otherwise be performed by salaried personnel.
3. The organization exercises control over the employment and duties of the donors of the services.
4. The organization has a clearly measurable basis for determining the value of such services.

In reporting a figure for "Private Gifts, Grants, and Contracts," that portion of the total which is an amount imputed to donated services should be clearly identified and appropriately noted in the financial statements of the institution.

ENDOWMENT INCOME

Endowment income includes the following: (1) unrestricted income of endowment and similar funds, (2) restricted income of endowment and similar funds to the extent expended for current operating purposes, and (3) income from funds held in trust by others under irrevocable trusts.

The unrestricted income from endowment and similar funds credited to revenues should be the total ordinary income earned (or yield) on the investments of these funds.

Income from investments of endowment and similar funds does not include capital gains and losses, since such gains and losses are accounted for in the Endowment and Similar Funds group. If a portion of the gains of endowment or quasi-endowment funds investments is utilized for current operating purposes, the portion so utilized should be reported as a transfer rather than as revenues.

Income from funds held in trust by others under irrevocable trusts should be separately identified under this heading.

SALES AND SERVICES OF EDUCATIONAL ACTIVITIES

Sales and services of educational activities include revenues derived from the sales of goods or services that are incidental to the conduct of instruction, research, or public service. Examples of such revenues are film rentals, scientific and literary publications, testing services, university presses, and dairy products. For revenue reporting purposes, the type of service rendered takes precedence over the form of the agreement by which those services are rendered. Therefore, the incidental revenues of educational departments would not be included in the category "Private Gifts, Grants, and Contracts," even if they should be performed under contract.

If service to the students rather than training and instruction is the primary purpose of the activities which create the revenue, it should be classified as "Sales and Services of Auxiliary Enterprises."

This category does not include the revenues generated by hospitals operated by the institution. These revenues should be classified as "Sales and Services of Hospitals." However, revenues derived from health clinics that are not part of a hospital, excluding those that are a part of the student health services program, should be reported in this category.

SALES AND SERVICES OF AUXILIARY ENTERPRISES

This category includes all revenues generated by the auxiliary enterprise operations of the institution. An auxiliary enterprise is an entity which exists to furnish goods or services to students, faculty, or staff and which charges a fee that is directly related, although not necessarily equal, to the cost of the service. The general public may incidentally be served by some auxiliary enterprises. Auxiliary enterprises include residence halls, food services, student health services, intercollegiate athletics (if operated as essentially self-supporting operations), college unions, college stores, and other services, such as barber shops, movie houses, etc.

This category does not include revenues received in the form of grants, gifts, or endowment income restricted for auxiliary enterprises, but is limited to monies derived directly from the operation of the auxiliary enterprises themselves.

SALES AND SERVICES OF HOSPITALS

Sales and services of hospitals includes the revenues (net of discounts, allowances, and provision for doubtful accounts) of a hospital operated by the institution. It includes revenue from daily patient services (i.e., medical, surgical, pediatrics, intensive care, etc.), revenue from nursing services (i.e., operating room, recovery room, etc.), and revenue from other professional services (i.e., laboratories, blood bank, etc.). It does not include revenue for research and other grants, gifts, appropriations, or endowment income restricted for hospital operations, but is limited to monies that are directly attributable to the operation of the hospital. Revenues of health clinics that are part of the hospital should be included in this category, unless such clinics are part of the student health services program.

OTHER SOURCES

"Other Sources" includes all items of revenue not covered elsewhere. Examples are interest income and gains (net of losses) from investments of unrestricted current funds. This category also includes revenues resulting from the sales and services of internal service departments to persons or agencies external to the institution (e.g., miscellaneous rentals, the sale of computer time, etc.).

INDEPENDENT OPERATIONS

"Independent Operations" includes all revenues associated with operations independent of or unrelated to the primary missions of the institution (i.e., instruction, research, public service) although they may indirectly contribute to the enhancement of these programs. This category generally includes only those revenues associated with major federally funded research laboratories. Such revenues include not only those derived from sales and services of such operations, but all other revenue for research and other grants, gifts, or appropriations restricted to these operations. This category does not include the net profit (or loss) from operations owned and managed as investments of the institution's endowment funds.

APPENDIX II

JAG CURRENT FUND EXPENDITURE AND MANDATORY TRANSFER CATEGORIES

JAG CATEGORIES: CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS

Current funds expenditures and mandatory transfers comprise (1) all expenses incurred, determined in accordance with the generally accepted accrual method of accounting, except for the omission of depreciation and the handling of expenditures for a term conducted over a fiscal year end; (2) expenditures from current funds for renewals and replacements of equipment; and (3) amounts transferred to other funds as required by binding legal agreements with outside parties such as provision for debt service, including principal, interest, and mandatory provisions for renewals and replacements.

Current funds expenditures include those of both unrestricted and restricted current funds. Current funds expenditures should be summarized in the categories described in this section and presented in the financial statements for the institution as a whole in these classifications.

The accounts should be maintained and reports prepared on the accrual basis of accounting. Expenditures should be reported when materials or services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of the reporting date should not be reported as expenditures.

The following guidelines are provided for the maintenance and reporting of expenditure and mandatory transfer data:

Separately incorporated units. For adequate disclosure, gross expenditures of all separately incorporated but related units for which the institution is fiscally responsible should be included. Examples of such separately incorporated units might include university presses, student unions, and research foundations. In addition, footnotes may be added wherever they are felt to be appropriate. The expenditures of separately incorporated units operated for investment purposes should not be reported as part of current funds expenditures. Instead the unit's net profit or loss should be recorded as investment income in the appropriate manner.

Nonmandatory transfers. Nonmandatory transfers are those transfers made by the institution's governing board at its discretion. Funds made available as a result of nonmandatory transfers into the Current Funds group, when expended during the reporting period, should be classified in the appropriate current funds expenditure categories.

Interdepartmental transactions. For reporting purposes, the gross expenditures of the institution's internal service departments should be offset by credits arising from the transfer of costs to the using departments. The difference between gross expenditures and transferred costs should remain in the appropriate expenditure category of the internal service department. For those institutions which currently charge expenditures for support activities such as computing support directly to the operating units responsible for the costs (i.e., charge-back operations), such expenditures will not be reflected in the expenditure categories defined for support activities. For example,

if the institution "charges back" computing support costs directly to the user departments within the institution, no expenditures will be reported in the subcategory "computing support."

Reimbursement of indirect costs. Indirect costs that appear as expenditures in the grant and contract accounts represent reimbursement for expenditures previously recorded in various institutional support accounts. These reimbursements from the funding agency should not be reported as expenditures in the grant and contract accounts. If this were done, expenditures in the amount of the indirect costs reimbursed would be doubly counted.

Donated Services. An imputed value for donated services should be recorded as expenditures by department or division, following the same classification as other expenditures. The value of such services should be determined by relating such services to equivalent salaries and wages (including the normal staff benefits such as group insurance and retirement benefits) for similarly ranked personnel in the same institution or similar institutions. An imputed value for donated services should be recorded only if the following circumstances exist:

1. The amount of such donated services is significant when compared to the total expenditures of the reporting entity.
2. The services performed are a normal part of the institution's programs or supporting services and would otherwise be performed by salaried personnel.

3. The organization exercises control over the employment and duties of the donors of the services.
4. The organization has a clearly measurable basis for determining the value of such services.

Current funds expenditures for capital assets. A capital asset is defined as any physical resource which benefits a program for more than one operating period. Capital expenditures would therefore include monies expended for land, improvements to land, buildings, additions to buildings, equipment, and library books. Most institutional accounting systems provide for recording at least a portion of capital expenditures in the current funds expenditure accounts of the various operating units. Whether an expenditure is to be considered a capital expenditure is generally a matter for institutional determination; in the case of some public institutions it is prescribed by state regulation. The general criteria are the relative significance of the amount expended and/or useful life of the asset acquired, or in the case of repairs or alterations, the extent to which useful life is extended. For expenditure reporting purposes, any equipment items costing more than a specified amount, as determined by institutional policy or appropriate government regulation, and having an expected service life of more than one year should generally be classified as a capital expenditure of the appropriate organizational unit. For example, two such guidelines used at the federal level are set forth by the Cost Accounting Standards Board and Federal Management Circular 73-8 (formerly OMB Circular A-21). The Cost Accounting Standards Board (CASB) has stipulated $500 and a useful life of more than two years as the threshold at which items must be considered capital assets.

Federal Management Circular 73-8 defines equipment as having an acquisition cost of $200 or more and an expected service life of one year or more. Current fund capital expenditures should be "tagged" with the appropriate object code or classification, but no expenditure category is defined for them. Rather they should be included as expenditures of the organizational unit with which they are associated in each case and displayed in the appropriate functional category.

EXPENDITURES CATEGORIES

The following functional categories have been developed for the classification of transactional expenditure and mandatory transfer data. These functional categories will have to be supplemented by the appropriate categories for object of expenditure, organizational unit, source of funds, etc.

Educational and General

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance of Plant
- Scholarships and Fellowships

Total Educational and General Expenditures

Auxiliary Enterprises

Hospitals

Mandatory Transfers

Independent Operations (where applicable)

Each category of expenditures and mandatory transfers is defined in terms of its component subcategories. These subcategories are intended as a guide to the data that should be included in each category. Data should be maintained separately for each subcategory wherever possible.

INSTRUCTION

This category includes expenditures for all activities which are part of the institution's instruction program, with the exception of expenditures for remedial and tutorial instruction (which should be categorized as Student Services). Expenditures for both credit and noncredit activities should be included in this category.

Expenditures for departmental research and public service which are not separately budgeted should be included in this classification. This category will exclude expenditures for academic administration where the primary assignment is administration (e.g., academic deans). However, expenditures for department chairmen, since instruction is still an important role of the administrator, should be included in this category.

This category is comprised of the following subcategories:

*General Academic Instruction includes expenditures for instructional activities operating during the academic year (as defined by the

institution) and associated with academic offerings described by HEGIS discipline categories 0100 through 4900. Both credit and noncredit activities which fall within the 0100 to 4900 HEGIS categories should be included. Expenditures for an "open university," short courses, or home study activities which fall within 0100 to 4900 would be included in this category.

•Occupational and Vocational Instruction includes expenditures for activities established primarily to provide instruction in disciplines usually associated with HEGIS discipline categories 5000 through 5500.

Both credit and noncredit activities falling within these HEGIS discipline categories should be included. Open university, short courses, and home study falling within these HEGIS categories would be included.

•Special Session Instruction includes expenditures for instructional activities in operation during a summer session, interim session, or other period that is not common with the institution's regular term and which are made solely as a result of conducting the special session (e.g., faculty salaries). A special session would not simply be a regular academic term held during the summer months, but should be a unique session. Expenditures for a special session term which is conducted over a fiscal year end should be reported totally within the fiscal year in which the program is predominantly conducted. The revenues and expenditures for any special session should be reported

in the same fiscal year. This procedure for reporting the expenditures of special sessions is an allowable exception to reporting expenditures on an accrual basis.

- Community Education includes expenditures for activities intended to provide instruction to members of the community or groups external to the institution. This subcategory includes both credit and noncredit activities. It also includes community instructional activities managed separately by an extension division or similar agency within the institution.

RESEARCH

This category includes all funds expended for activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. This category does not contain all sponsored programs (e.g., training grants), nor does it contain sponsored research only, since internally supported research programs should also be included in this category. It includes only expenditures for departmental research specifically budgeted for research.

This category is comprised of the following subcategories:

- Institutes and Research Centers includes expenditures for research-related program elements that are part of a formal research organization created to manage a number of research efforts.

- Individual or Project Research includes expenditures for research activities that are normally managed within the academic departments and that have been created as a result of a contract or a grant or through the specific allocation of institutional resources for the conduct of a research study or investigation. This category would include those departmental research expenditures which are separately budgeted.

PUBLIC SERVICE

This category includes all funds budgeted specifically for public service and expended for activities established primarily to provide noninstructional services beneficial to groups external to the institution. Such activities can include seminars, projects, and various organizational entities established to provide services to particular sectors of the community.

The associated subcategories are the following:

- Community Service includes expenditures for those activities carried out to provide general community services, excluding instructional activities. Community service is concerned with making available to the public various resources and unique capabilities that exist within the institution. Examples of such activities include conferences and institutes, general advisory services and reference bureaus, radio and television, consultation, and similar activities.

•Cooperative Extension Service includes expenditures for those non-instructional activities that are established as the result of cooperative extension efforts between the institution and outside agencies, e.g., agriculture extension, urban extension. This subcategory is intended primarily for land-grant colleges and universities. The distinguishing feature of activities in this subcategory is that the programmatic and fiscal control is shared by the institution with one or more governmental agencies.

ACADEMIC SUPPORT

This category includes all funds expended for activities carried out primarily to provide support services that are an integral part of the operations of one of the institution's three primary programs: instruction, research, and public service. It includes the retention, preservation, and display of materials and the provision of services that directly assist the academic functions of the institution. This category includes the media and technology (e.g., computing support) employed by the three primary programs as well as the administrative support operations that function within the various academic units (which includes the development of future instructional activities).

This category is broken down into the following subcategories:

•Libraries includes expenditures for all activities that directly support the operation of a catalogued or otherwise classified collection of published material.

•Museums & Galleries includes expenditures for all activities established to provide services related to the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc. Libraries are excluded.

•Audio/Visual Services includes expenditures for all activities providing audio and/or visual materials or media services to support the three primary programs.

•Computing Support includes expenditures of activities established to provide computing support to the three primary programs. Excluded from this category is administrative data processing, which is included as part of the "institutional support" category.

•Ancillary Support includes expenditures for activities providing support services to the three primary programs but not appropriately classified within the previous subcategories. An example of ancillary support is a demonstration school associated with the school of education. The expenditures of teaching hospitals are excluded.

•Academic Administration and Personnel Development includes expenditures that provide administrative support and management direction for the three primary programs. This subcategory is intended to separately identify the expenditures for the management function in the primary programs. This category would include the expenditures of academic

deans but would not include those of the department chairmen, which would be included in the appropriate primary function categories.

•Course and Curriculum Development includes only those expenditures that are separately budgeted for activities that may result in instructional offerings at some point in the future. It would also include separately identifiable expenditures for any activities intended to improve the content or presentation of current course offerings.

STUDENT SERVICES

This category includes all funds expended for admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program.

This category is comprised of the following subcategories:

•Social and Cultural Development includes expenditures for those activities that have been established to provide for the students' social and cultural development outside the degree curriculum. Activities included in this category are cultural events, student newspapers, intramural athletics, student organizations, etc. Expenditures for the intercollegiate athletics program would be included in this category if it is not operated as an essentially

self-supporting operation, in which case it would be reported in the category "Auxiliary Enterprises."

•Supplementary Educational Service includes expenditures for those activities established primarily to provide matriculated students with supplemental instruction outside of the normal academic program i.e., remedial instruction.

•Counseling and Career Guidance includes testing centers, placement office, etc. Excluded from this category is informal academic counseling provided by the faculty in relation to course assignments.

•Financial Aid Administration includes expenditures for activities established to provide financial aid services and assistance to students. This category does not include expenditures for outright grants to students, which would be included in "Scholarships and Fellowships."

•Student Admissions and Records includes expenditures for activities of the student admissions office and the registrar's offices.

•Student Health Services includes expenditures for student health services that are operated as a service to the student body rather than as an essentially self-supporting auxiliary enterprise.

INSTITUTIONAL SUPPORT

This category includes all funds expended for activities whose primary purpose is to provide operational support for the day-to-day functioning of the institution, excluding expenditures for physical plant operations. Appropriate allocations of institutional support should be made to auxiliary enterprises, to hospitals, and to any other activities not reported under the heading of "Educational and General" expenditures.

This category is comprised of the following subcategories:

- Executive Management includes expenditures for all central executive-level activities concerned with the management of and long-range planning for the entire institution, distinct from any one program within the institution. Includes such operations as executive direction (e.g., governing board), planning and programming, and legal operations.

- Fiscal Operations includes expenditures for those operations related to fiscal control and investments of the institution. Includes such operations as the accounting office, bursar, internal and external audits, etc.

- General Administrative Services includes expenditures for those activities that provide central administrative support to the other activities of the institution. Includes administrative data processing, space management, and employee personnel and records.

This category does not include expenditures for student admissions and the registrar's office, which should be reported as "Student Services."

•Logistical Services includes expenditures for activities that provide procurement services and the orderly movement of support materials for the campus operation. Includes purchasing, transportation, printing, campus security, etc.

•Community Relations includes expenditures for activities established to maintain relationships with the general community, alumni, or other constituents and to conduct activities related to development and fund raising.

OPERATION AND MAINTENANCE OF PLANT

This category includes all expenditures of current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises and hospitals. It does not include expenditures made from the institutional plant fund accounts. It includes all expenditures for operations established to provide services and maintenance related to campus grounds and facilities. It also includes utilities, property insurance, fire protection, and similar items.

SCHOLARSHIPS AND FELLOWSHIPS

This category applies only to monies given in the form of outright grants and trainee stipends to individuals enrolled in formal coursework, either for credit or not.

The criteria to be used in determining which monies to include in the "Scholarships and Fellowships" expenditure category are the following:

1. The monies must represent expenditures of the Current Funds group.
2. The institution must have fiscal control of the funds which were used to make the grant.
3. The recipients should not be formally required to render service to the institution as consideration for the grant, nor should they be expected to repay the amount of the grant to the funding source.
4. The institution must have selected the recipient of the grant. If the institution is given control of the monies, but is not allowed to select the recipient of the grant (e.g., the federal Basic Educational Opportunity Grants program), the funds should be reported in the Agency Funds group rather than in the Current Funds group.

Aid to students in the form of tuition and fee remissions also should be included in this expenditure category. However, remissions of tuition and fees granted as a result of either faculty or staff status, or family relationship of students to faculty or staff, should be recorded as staff benefit expense in the appropriate expenditure category.

Expenditures for trainee stipends awarded to individuals not enrolled in formal coursework should be included in either "Instruction," "Research," or "Public Service," whichever is appropriate.

The terms "financial aid" or "student aid" refer to the total package of all forms of student financial assistance and includes "Scholarships and Fellowships" as one such form of assistance. However, "student aid" also includes student loans and payments for student services rendered (e.g., student jobs). Where services are required in exchange for the financial assistance, as in the case of the federal College Work-Study Program, the charges should be classified as expenses of the department or organizational unit to which the service is rendered. Loans to students are not scholarships and fellowships, but constitute a conversion of cash to receivables in the Loan Funds group. The sum of monies associated with "student aid" is, therefore, a derived figure and is not maintained in the accounting records of the Current Funds group or any other fund group. The institution may therefore want to report a footnoted figure for "student aid" in addition to expenditures for "Scholarships and Fellowships."

"Scholarships and Fellowships" is comprised of two subcategories:

- Scholarships includes outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to undergraduate students.

- Fellowships includes outright grants-in-aid and trainee stipends to graduate students. It does not include funds for which services to the institution must be rendered (e.g., payments for teaching).

AUXILIARY ENTERPRISES

An auxiliary enterprise is an entity which exists to furnish a service to students, faculty, or staff, and which charges a fee that is directly related to, although not necessarily equal to, the cost of the service. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting operations. Therefore, although revenues do not always exceed or equal expenditures, auxiliary enterprise fees, unlike those of any other institutional operation, are usually set with this goal in mind. The general public may incidentally be served in some auxiliary enterprises. Examples are residence halls, food services, intercollegiate athletics, and student stores.

This category of expenditures embraces all costs, except depreciation, of operating the institution's auxiliary enterprises, including charges for physical plant operations and general institutional support. Also included in this category are other direct and indirect costs whether charged directly as expenditures or allocated as a proportionate share of the costs of other departments or units. Mandatory transfers of auxiliary enterprises (i.e., mandatory provisions for debt retirement, other financing costs, and renewals and replacements) should be reported in the mandatory transfers category.

This category is comprised of the following subcategories:

- Auxiliary Enterprises-Student includes all expenditures and charges for auxiliary enterprise activities primarily intended to furnish

services to students. Student health services, when operated as an auxiliary enterprise, would be included. Intercollegiate athletics are excluded from this subcategory.

•Auxiliary Enterprises-Faculty/Staff includes all expenditures and charges for auxiliary enterprise activities primarily intended to provide a service to the faculty or staff. Such activities include the faculty club, faculty/staff parking, faculty housing, etc.

•Intercollegiate Athletics includes all expenditures for intercollegiate sports operated in accordance with the definition of an auxiliary enterprise.

HOSPITALS

This category includes all expenditures, except depreciation, associated with the operation of the hospital, including nursing expenses, other professional services, general services, administrative services, fiscal services, and charges for physical plant operations. Expenditures for activities that take place within the hospital but that are more appropriately categorized as Instruction or Research should be excluded from this category and accounted for in the appropriate categories. Mandatory transfers made for debt retirement, other financing costs, and renewals and replacements should be excluded from this category and separately reported in the mandatory transfers category.

MANDATORY TRANSFERS

"Mandatory Transfers" includes all transfers from Current Funds which must be made to other fund groups in order to fulfill a binding legal obligation of the institution. They are distinct from voluntary provisions made at the discretion of the institution's governing body and are therefore separately classified.

Mandatory transfers should be reported in the following subcategories:

- Provision for Debt Service on Educational Plant includes mandatory debt-service provisions relating to academic buildings, including (1) amounts set aside for debt retirement and interest, and (2) required provisions for renewals and replacements to the extent not financed from other sources.

- Provision for Debt Service on Auxiliary Enterprises includes mandatory debt service provisions relating to auxiliary enterprises, including amounts set aside for (1) debt retirement and interest and (2) required provisions for renewals and replacements to the extent not financed from other sources.

- Provision for Debt Service on Hospitals includes mandatory debt service provisions relating to hospitals, including amounts set aside for (1) debt retirement and interest and (2) required provisions for renewals and replacements to the extent not financed from other sources.

•Loan Fund Matching Grants includes mandatory transfers to loan funds as required to match outside gifts or grants, usually from the U.S. government.

•Other Mandatory Transfers includes all mandatory transfers not included in the above categories. Other mandatory transfers that are material should be itemized within the mandatory transfers category. Those made for hospitals or auxiliary enterprises should be separately identified.

INDEPENDENT OPERATIONS

This category includes all funds expended for operations that are independent of or unrelated to the primary missions of the institution (i.e., instruction, research, public service), although they may indirectly contribute to the enhancement of these programs. This category is generally limited to expenditures for the operation of major federally funded research laboratories. This category does not include the expenditures of operations owned and managed as investments of the institution's endowment funds.

APPENDIX III

JAG EXPENDITURE CATEGORIES AND THE PCS

JAG EXPENDITURE CATEGORIES AND THE PCS

One of the primary reasons for development of the JAG expenditure categories is the need to provide a compatible means of reporting an institution's transactional expenditure data in the Program Classification Structure (PCS). The JAG categories meet this objective. The JAG structure consists of twelve major function categories, each defined in terms of associated subcategories. If transactional expenditure data is collected and maintained at the subcategory level of the JAG structure, reporting data in the PCS format can be accomplished with little difficulty. The expenditures included in each subcategory of the JAG structure can be mapped almost directly to corresponding subcategories of the PCS. It is at the subcategory level of the JAG expenditure categories and the subprogram level of the PCS that the easiest and most meaningful crossover of data can be accomplished.

Crossover from the JAG categories to the PCS format involves reporting in a different format data which are traditionally maintained in the institution's accounting records. It must be recognized that the PCS is a "program structure" which defines the program concept for fairly detailed levels of institutional activity. Detailed financial data in such a "program" format cannot be obtained by simply reformatting an institution's accounting data. In almost every instance, a considerable amount of analytical work will have to be conducted in order to determine the "program contributions" of the institution's various activities. The results of such program analyses will then have to be used to modify

the transactional information that an institution maintains by activity (such as its transactional accounting data). It is this adjusted "program information" that is displayed in the more disaggregate levels of the PCS. The transactional data which are crossed over at the sub-program level of the PCS actually serve as the "analytical data base." Modifications will be made to this analytical data base on the basis of the results of a variety of program analyses. Therefore, if the derived program data are to be meaningful for decision-making purposes, this analytical data base must be reconcilable to financial statements prepared in accordance with the JAG categories of transactional data. This consistency of between the JAG subcategories and the PCS sub-programs will provide the capability to conduct such a reconciliation.

The following table has been prepared as an aid to comparing the JAG expenditure categories and the PCS. It should be viewed as a comparison only and not as a set of crossover procedures for reformatting data from the JAG categories into the PCS. It is based on the PCS as defined in NCHEMS Technical Report 27 (Program Classification Structure, Gulko, 1972). It should be pointed out that the PCS categories have been revised somewhat for use in the NCHEMS Cost Finding Principles project and in the Information Exchange Procedures project. These revisions make the PCS even more compatible with the categories and definitions recommended by the Joint Accounting Group. A revision of the PCS will soon be conducted by NCHEMS, and the NCHEMS staff is confident that many of the revisions now being used in the Cost Finding Principles and Information Exchange Procedures projects will be adopted for the revised PCS. However, until such

revisions are formally made, the only meaningful comparison is one between the JAG categories and the PCS as described in Technical Report 27.

The following table compares the JAG categories and the PCS at the respective subcategory and subprogram level. No comparison is described at the JAG category and PCS program level. The PCS subprogram most closely related to the appropriate JAG subcategory is shown adjacent to the JAG subcategory. An accompanying "Remarks" section describes any major differences between the JAG subcategories and the PCS subprograms. However, the reader must determine where less significant differences exist by comparing the detailed definitions for both sets of categories.

TABLE 1

Comparison of JAG Subcategories to PCS Subprograms

JAG CATEGORY	RELATED PCS SUBPROGRAM	REMARKS
INSTRUCTION		
• General Academic	1.1 General Academic	The JAG subcategories include both credit and noncredit instructional activities. The PCS subprograms include only credit instruction. The PCS includes noncredit instruction in the subprogram 3.1 - Community Education.
• Occupational & Vocational	1.2 Occupational & Vocational	
• Special Session	1.3 Special Session	
• Community Education (only extension for credit)	1.4 Extension (for credit)	
• Community Education (noncredit)	3.1 Community Education	
RESEARCH		
• Institutes & Research Centers	2.1 Institutes & Research Centers	No major differences.
• Individual or Project Research	2.2 Individual or Project Research	
PUBLIC SERVICE		
• Community Service	3.2 Community Service	No major differences.
• Cooperative Extension Service	3.3 Cooperative Extension Service	
ACADEMIC SUPPORT		
• Libraries	4.1 Libraries	The PCS subprogram 4.5 includes Hospitals, which are a major JAG category. The JAG subcategory Ancillary Support, except for the exclusion of Hospitals, is the same as PCS 4.5.
• Museums & Galleries	4.2 Museums & Galleries	
• Audio/Visual Services	4.3 Audio/Visual Services	
• Computing Support	4.4 Computing Support	
• Ancillary Support	4.5 Ancillary Support	
• Academic Admin. & Personnel Dev.	4.6 Academic Admin. & Personnel Dev.	The PCS subprogram 4.6 includes expenditures for departmental chairman whereas JAG includes such expenditures as a part of Instruction.
• Course & Curriculum Development	4.7 Course & Curriculum Development	

TABLE 1, continued

JAG CATEGORY	RELATED PCS SUBPROGRAM	REMARKS
STUDENT SERVICES • Social and Cultural Development • Supplementary Educational Service • Counseling & Career Guidance • Financial Aid Administration • Student Admissions & Records • Student Health Services	5.1 Social & Cultural Development 5.2 Supplementary Educational Service 5.3 Counseling & Career Guidance 5.4 Financial Aid 6.3 General Administrative Services 5.5 Student Support	The definitions of "Social & Cultural Development" will differ somewhat. The PCS includes expenditures for Intercollegiate Athletics if operated as an auxiliary enterprise in this subprogram as 5.1.7200. JAG includes intercollegiate athletics in the AUXILIARY ENTERPRISE category if operated as a self-supporting entity. Otherwise they are included in this subcategory. The JAG subcategories "Student Admissions and Records" and "Student Health Services" are both only a portion of the activities defined in the two related PCS subprograms.
INSTITUTIONAL SUPPORT • Executive Management • Fiscal Operations • General Administrative Services • Logistical Services • Community Relations	6.1 Executive Management 6.2 Fiscal Operations 6.3 General Administrative Services 6.4 Logistical Services 6.7 Community Relations	The JAG category and the PCS program, although both have identical names, are not the same because the JAG category excludes expenditures for operation and maintenance of physical plant. The PCS subprogram 6.3 includes "Student Admissions and Records" as 6.3.8220 whereas a separate subcategory within the JAG category "Student Services" was created for such expenditures.
OPERATION AND MAINTENANCE OF PLANT	6.5 Physical Plant Operations	No major differences.
SCHOLARSHIPS AND FELLOWSHIPS • Scholarships • Fellowships	Does not exist	At the present time, no PCS program exists comparable to this JAG category.

TABLE 1, conclusion

JAG CATEGORY	RELATED PCS SUBPROGRAM	REMARKS
AUXILIARY ENTERPRISES • Auxiliary Ent. - Student • Auxiliary Ent. - Faculty/Staff • Intercollegiate Athletics	5.5 Student Support 6.6 Faculty & Staff Services 5.1 Social & Cultural Development	The PCS does not recognize the method by which an activity is financed. The JAG subcategories are therefore only a portion of the activities defined in the related PCS subprograms.
HOSPITALS	4.5 Ancillary Support	This JAG category is only a portion of the total activities defined in the PCS subprogram 4.5.
INDEPENDENT OPERATIONS	7.0 Independent Operations	No major differences. This category in both the PCS and JAG is intended to be used for those activities which are independent of, or unrelated to, the primary missions of the institution.
MANDATORY TRANSFERS • Provision for Debt Service on Educational Plant •Provision for Debt Service on Auxiliary Enterprises •Provision for Debt Service on Hospitals •Loan Fund Matching Grants • Other Mandatory Transfers	None	No PCS programs exist which are comparable to this JAG category.

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